

**STRATFORD  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2009

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**STRATFORD COMMUNITY SCHOOL DISTRICT**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education**

**(Before September 2008 Election)**

Nicole McFarland	President	2009
Eric McGlynn		2008
Julie Patterson		2009
Lee Gripp		2009
Tricia Rose		2008

**(After September 2008 Election)**

Nicole McFarland	President	2009
Eric McGlynn		2011
Julie Patterson		2009
Lee Gripp		2009
April Carlson		2011

**School Officials**

Sarah Binder	Superintendent
Linda Swedlund	District Secretary/ Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Independent Auditor's Report

#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To The Board of Education of  
Stratford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Stratford Community School District, Stratford, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

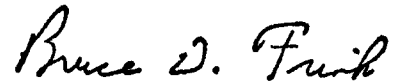
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Stratford Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2010 on our consideration of Stratford Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Stratford Community School District's basic financial statements. We previously audited in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bruce D. Frink".

**BRUCE D. FRINK**  
**Certified Public Accountant**

March 12, 2010

## STRATFORD COMMUNITY SCHOOL DISTRICT

### Management's Discussion and Analysis

Stratford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

#### 2009 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,031,946 in fiscal 2008 to \$2,026,400 in fiscal 2009 (1% decrease), while General Fund expenditures increased from \$1,951,841 in fiscal 2008 to \$2,024,959 in fiscal 2009 (a 4% increase).
- General Fund local tax revenues increased as well as revenues from federal sources, however, state funding decreased by over \$100,000. The increase in expenditures was due primarily to an increase in instructional costs, primarily salaries and benefits. The General Fund balance increased by over \$1,000 (1% increase).
- The District's Day Care Fund continues to receive contributions which have helped keep the fund in a positive financial position.

#### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Stratford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Stratford Community School District operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Stratford Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the Student Activity Fund.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

**Stratford Community School District Annual Financial Report**

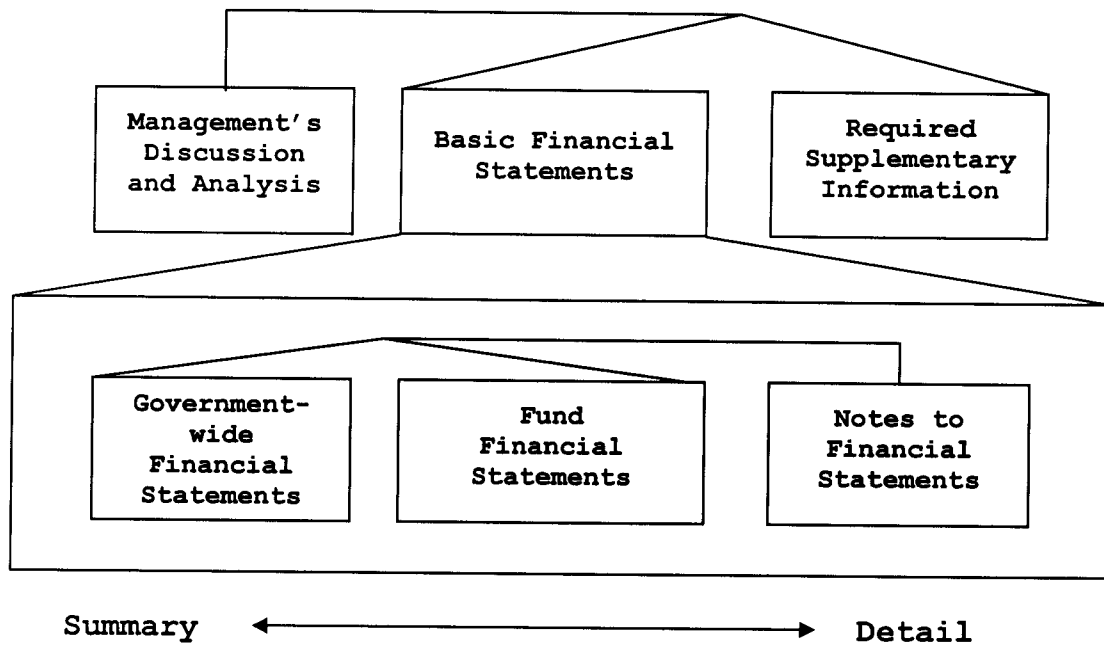


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care
Required financial statements	. Statement of net assets . Statement of activities	. Balance sheet . Statement of revenues, expenditures and changes in fund balances	. Statement of net assets . Statement of revenues, expenses and changes in fund net assets . Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to treat all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

**Net assets** - Figure A-3 below provides a summary of the District's net assets at June 30, 2009 compared to June 30, 2008.

<b>Figure A-3</b> <b>Condensed Statement of Net Assets</b> <b>(Expressed in Thousands)</b>							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current assets	\$ 2,488	2,176	136	133	2,624	2,309	12.00%
Capital assets	<u>1,551</u>	<u>1,578</u>	<u>2</u>	<u>3</u>	<u>1,553</u>	<u>1,581</u>	<u>-1.80%</u>
<b>Total assets</b>	<u>4,039</u>	<u>3,754</u>	<u>138</u>	<u>136</u>	<u>4,177</u>	<u>3,890</u>	<u>6.87%</u>
Current liabilities	1,052	881	1	-	1,053	881	16.33%
Non-current liabilities	<u>825</u>	<u>915</u>	<u>-</u>	<u>-</u>	<u>825</u>	<u>915</u>	<u>-10.91%</u>
<b>Total liabilities</b>	<u>1,877</u>	<u>1,796</u>	<u>1</u>	<u>-</u>	<u>1,878</u>	<u>1,796</u>	<u>4.37%</u>
Net Assets							
Invested in capital assets, net of related debt	726	664	2	3	728	667	8.38%
Restricted	651	496	-	-	651	496	23.81%
Unrestricted	<u>785</u>	<u>798</u>	<u>135</u>	<u>133</u>	<u>920</u>	<u>931</u>	<u>-1.20%</u>
<b>Total net assets</b>	<u>\$ 2,162</u>	<u>1,958</u>	<u>137</u>	<u>136</u>	<u>2,299</u>	<u>2,094</u>	<u>8.92%</u>

All funds showed increases or small deficits during the year. The Capital Projects and Physical Plant and Equipment Levy Funds showed the greatest increases.

Figure A-4 shows the changes in net assets for the year ended June 30, 2009 compared to the year ended June 30, 2008.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business type Activities		Total School District		Total Change	
2009	2008	2009	2008	2009	2008	2008-2009	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 95	112	125	104	220	216	1.85%
Operating grants, contributions and restricted interest	410	372	63	99	473	471	0.42%
General revenues:							
Property tax	862	775	-	-	862	775	11.23%
Income surtax	60	55	-	-	60	55	9.09%
Statewide sales and services tax	145	140	-	-	145	140	3.57%
Unrestricted state grants	800	940	-	-	800	940	-14.89%
Unrestricted investment earnings	10	15	-	-	10	15	-33.33%
Other	13	(21)	-	-	13	(21)	-161.90%
Total revenues	2,395	2,388	188	203	2,583	2,591	-0.31%
Program expenses:							
Governmental activities:							
Instruction	1,473	1,414	-	-	1,473	1,414	4.17%
Support Services	525	503	-	-	525	503	4.37%
Non-instructional programs	10	20	184	189	194	209	-7.18%
Other expenses	182	181	-	-	182	181	0.55%
Total expenses	2,190	2,118	184	189	2,374	2,307	2.90%
Change in net assets	\$ 205	270	4	14	209	284	-26.41%

Property tax and unrestricted state grants account for 64% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

## Governmental Activities

Revenues for governmental activities were \$2,395,469 and expenses were \$2,190,218 for the year ended June 30, 2009.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ending June 30, 2009 compared to the year ending June 30, 2008.

**Figure A-5**  
**Total and Net Cost of Governmental Activities**  
**(Expressed in Thousands)**

	Total Cost of Services			Net Cost of Services		
	2009	2008	Change 2008-2009	2008	2008	Change 2008-2009
Instruction	\$ 1,473	\$ 1,414	4.17%	1,065	1,090	-2.29%
Support services	525	503	4.37%	522	476	9.66%
Non-instructional programs	10	20	-50.00%	10	20	-50.00%
Other expenses	182	181	0.55%	88	178	-50.56%
Totals	<u>\$ 2,190</u>	<u>2,118</u>	<u>3.40%</u>	<u>1,685</u>	<u>1,764</u>	<u>-4.48%</u>

For the year ended June 30, 2009:

- The cost financed by users of the District's programs was \$94,839.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$301,228.
- The net cost of governmental activities was financed with \$862,633 in property tax, \$799,656 in state foundation aid, and \$9,726 in interest income.

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2009 were \$187,348 and expenses totaled \$183,579. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for services, federal and state reimbursements, private contributions and investment income.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted Stratford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,373,783, a thirteen percent increase over last year's ending fund balances of \$1,218,170.

## Governmental Fund Highlights

- The District maintained its General Fund balance by monitoring expenses from all portions of budget. Revenues increased from local and federal sources, but the state reduced support by over \$100,000.
- The District began to collect the Statewide Sales and Services Taxes in fiscal year 2009. It is being used for infrastructure projects and property tax relief.
- The state instituted a 1½% cut in state aid in December 2008.

## Proprietary Fund Highlights

The School Nutrition Fund balance was maintained due to a capital infusion from the General Fund. The Day Care Fund grew 3% due to contributions.

## BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund and major Special Revenue Funds are not presented in the budgetary comparison on pages 31 and 32.

## Legal Budgetary Highlights

The District's receipts were over \$437,000 less than budgeted receipts, a variance of 14%. The variance resulted from the District receiving more in state and local taxes than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2009, the District had invested over \$1.5 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$63,053.

The original cost of the District's capital assets was \$2,447,206. Governmental funds account for \$2,438,229, with the remainder of \$8,977 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 5	5	-	-	5	5	0.00%
Buildings	1,446	1,475	-	-	1,446	1,475	-1.97%
Furniture and equipment	100	98	2	3	102	101	0.99%
Totals	\$ 1,551	1,578	2	3	1,553	1,581	-1.77%

## Long-Term Debt

At June 30, 2009, the District had \$825,000 in general obligation, long-term debt outstanding. This represents a decrease of approximately 10% from last year (See Figure A-7). In 2008, the District refinanced its outstanding debt resulting in over \$9,000 in savings to the District. Additional information about the District's long-term debt is presented in Note 7 to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2009	2008	2008-2009
General obligation bonds	\$ 825	915	-9.84%
Total	\$ 825	915	-9.84%

## ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Sales tax is now being collected as part of the statewide sales and services tax. This money is being used for infrastructure projects and property tax relief.
- The District experienced a decrease of 13.1 resident students. Actual students served in the District decreased by 11.1 students.
- Allowable growth of 2% (or less) is inadequate to fund existing programs without dipping into existing reserves.
- State aid outs, not covered by federal stimulus funds, will cause the District to tap into existing reserves.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Health insurance continues to be a very costly item to the District. Even though concessions have been made by employees in regard to deductibles, and coinsurance, other solutions need to be found. The skyrocketing cost of health care and the insurance to cover the cost will soon be unattainable by many.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sarah Binder, Superintendent, Stratford Community School District, 1000 Shakespeare Ave, Stratford, IA 50249.

## **Basic Financial Statements**

## STRATFORD COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2009

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 1,439,156	134,545	1,573,701
Receivables:			
Property tax			
Current year	10,312	-	10,312
Succeeding year	909,847	-	909,847
Income surtax	64,618	-	64,618
Due from other governments	64,097	-	64,097
Inventories	-	1,526	1,526
Capital assets, net of accumulated depreciation	1,551,334	2,392	1,553,726
<b>Total assets</b>	<u>4,039,364</u>	<u>138,463</u>	<u>4,177,827</u>
<b>Liabilities</b>			
Accounts payable	139,782	1,339	141,121
Accrued interest payable	2,195	-	2,195
Deferred revenue:			
Succeeding year property tax	909,847	-	909,847
Long term liabilities:			
Portion due within one year:			
General obligation bonds	95,000	-	95,000
Portion due after one year:			
General obligation bonds	730,000	-	730,000
<b>Total liabilities</b>	<u>1,876,824</u>	<u>1,339</u>	<u>1,878,163</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	726,334	2,392	728,726
Restricted for:			
Management fund	96,581		96,581
Physical plant and equipment levy	181,921	-	181,921
Capital projects	366,086	-	366,086
Debt service	3,116	-	3,116
Categorical funding	3,695	-	3,695
Unrestricted	784,807	134,732	919,539
<b>Total net assets</b>	<u>\$ 2,162,540</u>	<u>137,124</u>	<u>2,299,664</u>

See notes to financial statements.



## STRATFORD COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2009

	Program Revenues				Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities		
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction	\$ 1,472,780	94,377	313,680	(1,064,723)	-	(1,064,723)
Support services:						
Student services	1,805	-	-	(1,805)	-	(1,805)
Instructional staff services	25,379	-	-	(25,379)	-	(25,379)
Administration services	181,804	-	-	(181,804)	-	(181,804)
Operation and maintenance of plant services	163,288	-	2,799	(160,489)	-	(160,489)
Transportation services	152,962	462	-	(152,500)	-	(152,500)
	525,238	462	2,799	(521,977)	-	(521,977)
Non-instructional programs	10,000	-	-	(10,000)	-	(10,000)
Other expenditures:						
Facilities acquisition	31,898	-	12,523	(19,375)	-	(19,375)
Interest on long-term debt	28,357	-	119	(28,238)	-	(28,238)
Long-term debt services	400	-	-	(400)	-	(400)
AEA flowthrough	81,015	-	81,015	-	-	-
Depreciation (unallocated)*	40,530	-	-	(40,530)	-	(40,530)
	182,200	-	93,657	(88,543)	-	(88,543)
Total governmental activities	2,190,218	94,839	410,136	(1,685,243)	-	(1,685,243)

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2009

	Program Revenues			Governmental Activities	Business Type Activities	Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest			
Business type activities:						
Non-instructional programs	183,579	124,665	62,683	-	3,769	3,769
Total	<u>\$ 2,373,797</u>	<u>219,504</u>	<u>472,819</u>	<u>(1,685,243)</u>	<u>3,769</u>	<u>(1,681,474)</u>
<b>General Revenues:</b>						
Property tax levied for:						
General purposes				\$ 647,050	-	647,050
Management Fund				39,949	-	39,949
Capital outlay				57,246	-	57,246
Debt service				118,388	-	118,388
Income surtax				60,163	-	60,163
Statewide sales and services tax				145,297	-	145,297
Unrestricted state grants				799,656	-	799,656
Unrestricted investment earnings				9,726	-	9,726
Other				13,019	-	13,019
Total general revenues				<u>1,890,494</u>	<u>-</u>	<u>1,890,494</u>
Change in net assets				205,251	3,769	209,020
Net assets beginning of year				<u>1,957,289</u>	<u>133,355</u>	<u>2,090,644</u>
Net assets end of year				<u>\$ 2,162,540</u>	<u>137,124</u>	<u>2,299,664</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.



## STRATFORD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2009

Total fund balances of governmental funds (Exhibit C)	\$ 1,373,783
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**Amounts reported for governmental activities in the Statement of Net Assets  
are different because:**

Income surtax receivable at June 30, 2009 is not recognized as income until received in the governmental funds, however it is shown as a receivable in the Statement of Net Assets.	64,618
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,551,334
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.	(2,195)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

General obligation bonds	<u>(825,000)</u>
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<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 2,162,540</u></b>
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STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 720,605	-	39,949	57,246	145,297	118,388	1,081,485
Tuition	94,377	-	-	-	-	-	94,377
Other	29,663	6,040	958	1,776	12,623	40	51,100
State sources	1,075,925	-	27	38	-	79	1,076,069
Federal sources	105,830	-	-	-	-	-	105,830
Total revenues	2,026,400	6,040	40,934	59,060	157,920	118,507	2,408,861
Expenditures:							
Instruction	1,466,725	6,055	-	-	-	-	1,472,780
Support services:							
Student services	1,805	-	-	-	-	-	1,805
Instructional staff services	25,058	-	-	11,856	-	-	36,914
Administration services	181,804	-	-	-	-	-	181,804
Operation and maintenance of plant services	131,312	-	31,976	-	-	-	163,288
Transportation services	127,240	-	3,947	-	-	-	131,187
	467,219	-	35,923	11,856	-	-	514,998
Non-instructional programs:							
Food service operations	10,000	-	-	-	-	-	10,000

STRATFORD COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Fund Types

Year ended June 30, 2009

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Other expenditures:							
Facilities acquisition and construction services	-	-	-	16,602	38,913	-	55,515
Principal on long-term debt	-	-	-	-	-	90,000	90,000
Interest on long-term debt	-	-	-	-	-	28,540	28,540
Long-term debt services	-	-	-	-	-	400	400
AEA flowthrough	81,015	-	-	-	-	-	81,015
	<u>81,015</u>	<u>-</u>	<u>-</u>	<u>16,602</u>	<u>38,913</u>	<u>118,940</u>	<u>255,470</u>
Total expenditures	<u>2,024,959</u>	<u>6,055</u>	<u>35,923</u>	<u>28,458</u>	<u>38,913</u>	<u>118,940</u>	<u>2,253,248</u>
Net change in fund balances	1,441	(15)	5,011	30,602	119,007	(433)	155,613
Fund balances beginning of year	<u>717,404</u>	<u>5,054</u>	<u>91,570</u>	<u>151,319</u>	<u>247,079</u>	<u>5,744</u>	<u>1,218,170</u>
Fund balances end of year	<u>\$ 718,845</u>	<u>5,039</u>	<u>96,581</u>	<u>181,921</u>	<u>366,086</u>	<u>5,311</u>	<u>1,373,783</u>

See notes to financial statements.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2009

Net change in fund balances - total governmental funds (Exhibit E) \$ 155,613

**Amounts reported for governmental activities in the Statement of  
Activities are different because:**

Income surtaxes not collected for several months after the District's  
fiscal year ends are not considered "available" revenues in the  
governmental funds and are included as deferred revenues. They are,  
however, recorded as revenues in the statement of activities  
This represents the change from FY08 to FY09 (13,392)

Capital outlays to purchase or build capital assets are reported in  
governmental funds as expenditures. However, those costs are not  
reported in the Statement of Net Activities and are allocated over their  
estimated useful lives as depreciation expense in the Statement of  
Activities. The amounts of capital outlays and depreciation expense  
in the year are as follows:

Capital outlays	\$ 35,152	
Depreciation expense	<u>(62,305)</u>	(27,153)

Repayment of long-term liabilities is an expenditure in the  
governmental funds, but the repayment reduces long-term  
liabilities in the Statement of Net Assets. 90,000

Interest on long-term debt in the Statement of Activities differs from  
the amount reported in the governmental funds because interest is  
reported as an expenditure in the funds when due. In the Statement  
of Activities, interest expense is recorded as the interest accrues,  
regardless of when it is due. 183

Change in net assets of governmental activities (Exhibit B) \$ 205,251

## STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Net Assets  
Proprietary Funds

June 30, 2009

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 8,918	125,627	134,545
Inventories	1,526	-	1,526
Capital assets, net of accumulated depreciation	<u>2,392</u>	<u>-</u>	<u>2,392</u>
<b>Total assets</b>	<u>12,836</u>	<u>125,627</u>	<u>138,463</u>
<b>Liabilities</b>			
Accounts payable	<u>-</u>	<u>1,339</u>	<u>1,339</u>
<b>Net Assets</b>			
Invested in capital assets	2,392	-	2,392
Unrestricted	<u>10,444</u>	<u>124,288</u>	<u>134,732</u>
<b>Total net assets</b>	<u>\$ 12,836</u>	<u>124,288</u>	<u>137,124</u>

See notes to financial statements.



## STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2009

	School Nutrition	Day Care	Total
Operating revenue:			
Local sources:			
Charges for services	\$ 31,611	93,054	124,665
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	23,863	-	23,863
Benefits	9,736	-	9,736
Services	175	-	175
Supplies	33,729	-	33,729
Depreciation	748	-	748
	68,251	-	68,251
Other enterprise operations:			
Salaries	-	91,798	91,798
Benefits	-	12,569	12,569
Supplies	-	10,961	10,961
	-	115,328	115,328
Total operating expenses	68,251	115,328	183,579
Operating (loss)	(36,640)	(22,274)	(58,914)
Non-operating revenues:			
Local sources	120	26,205	26,325
Capital contributions	10,000	-	10,000
State sources	585	-	585
Federal sources	25,773	-	25,773
	36,478	26,205	62,683
Change in fund net assets	(162)	3,931	3,769
Net assets beginning of year	12,998	120,357	133,355
Net assets end of year	\$ 12,836	124,288	137,124

See notes to financial statements.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Combining Statement of Cash Flows  
Proprietary Fund

Year ended June 30, 2009

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Cash flows from operating activities:			
Cash received from sale of services	\$ 31,611	93,054	124,665
Cash payments to employees for services	(33,599)	(104,367)	(137,966)
Cash payments to suppliers for goods or services	<u>(27,270)</u>	<u>(9,622)</u>	<u>(36,892)</u>
Net cash (used by) operating activities	<u>(29,258)</u>	<u>(20,935)</u>	<u>(50,193)</u>
Cash flows from non-capital financing activities:			
Contributions	-	25,025	25,025
State grants received	585	-	585
Federal grants received	<u>19,011</u>	<u>-</u>	<u>19,011</u>
Net cash provided by non-capital financing activities	<u>19,596</u>	<u>25,025</u>	<u>44,621</u>
Cash flows from capital financing activities:			
Capital contribution from General Fund	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Cash flows from investing activities:			
Interest on investments	<u>120</u>	<u>1,180</u>	<u>1,300</u>
Net increase in cash and cash equivalents	458	5,270	5,728
Cash and cash equivalents beginning of year	<u>8,460</u>	<u>120,357</u>	<u>128,817</u>
Cash and cash equivalents end of year	<u>\$ 8,918</u>	<u>125,627</u>	<u>134,545</u>
<b>Reconciliation of operating (loss) to net cash used by operating activities:</b>			
Operating (loss)	\$ (36,640)	(22,274)	(58,914)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	748	-	748
Commodities used	6,762	-	6,762
(Increase) in inventory	(128)	-	(128)
Increase in accounts payable	<u>-</u>	<u>1,339</u>	<u>1,339</u>
	<u>\$ (29,258)</u>	<u>\$ (20,935)</u>	<u>\$ (50,193)</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2009, the District received federal commodities valued at \$6,762.

See notes to financial statements.

# STRATFORD COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2009

### (1) Summary of Significant Accounting Policies

Stratford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Stratford, Iowa, and agricultural area in Boone, Hamilton, and Webster Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Grades seven through twelve attend the Webster City Community School District as part of a one-way sharing agreement.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Stratford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Stratford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hamilton County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets*, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The District considers all funds to be major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Physical Plant and Equipment Levy is used for the acquisition of capital assets (over \$500) and the maintenance and purchase of land improvements and facilities.

The Capital Projects Fund is used to account for funds raised by the one cent School Infrastructure Local Option Sales Tax. These funds are being used for debt retirement and infrastructure expenses.

The District reports the following major proprietary funds:

The District's proprietary funds are the Day Care and School Nutrition Fund. These funds are used to account for the food service operations of the District as well as a daycare facility.

#### C. Measurement Focus and Basis of Accounting

The government-wide and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Balance

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2008.

Due from Other Governments - Due from other governments represents amounts from the State of Iowa, various shared revenue, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 1,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	10,000
Other furniture and equipment	10,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2009.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

### (2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2009.

### (3) **Capital Assets**

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Capital assets being depreciated:				
Buildings	2,153,367	6,372	-	2,159,739
Furniture and Equipment	244,710	28,780	-	273,490
Total capital assets being depreciated	2,398,077	35,152	-	2,433,229
Less accumulated depreciation for:				
Buildings	678,267	35,382	-	713,649
Furniture and Equipment	146,323	26,923	-	173,246
Total accumulated depreciation	824,590	62,305	-	886,895
Total capital assets being depreciated, net	1,573,487	(27,153)	-	1,546,334
Governmental activities, capital assets, net	\$ 1,578,487	(27,153)	-	1,551,334

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 8,977	-	-	8,977
Less accumulated depreciation	5,837	748	-	6,585
Business type activities capital assets, net	<u>\$ 3,140</u>	<u>(748)</u>	<u>-</u>	<u>2,392</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Support services:

Transportation

Unallocated

\$ 21,775

40,530

\$ 62,305

#### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$67,400, \$58,606, and \$49,191 respectively, equal to the required contributions for each year.

#### (5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$81,015 for year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

#### (6) Risk Management

Stratford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



(7) **Changes in Long-Term Debt**

Details of the District's June 30, 2009 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2010	4.70%	\$ 26,335	95,000	121,335
2011	4.70	23,913	95,000	118,913
2012	4.80	21,300	100,000	121,300
2013	4.80	18,350	100,000	118,350
2014	4.80	15,250	105,000	120,250
2015	4.90	11,837	105,000	116,837
2016	4.90	8,215	110,000	118,215
2017	4.90	<u>4,255</u>	<u>115,000</u>	<u>119,255</u>
Total		<u>\$129,455</u>	<u>825,000</u>	<u>954,455</u>

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	<u>General Obligation Bonds</u>
Balance beginning of year	\$915,000
Additions	-
Reductions	<u>90,000</u>
Balance end of year	<u>\$825,000</u>

During the year ending June 30, 2008 the District refinanced its outstanding general obligation bonds. All outstanding debt was called on June 1, 2008 and retired. Total savings of \$9,213 are being realized as interest expense savings offset the additional debt principal issued and costs of issuance.

## Required Supplementary Information

**STRATFORD COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund  
Required Supplementary Information

Year ended June 30, 2009

	Governmental Fund Types Actual	Proprietary Fund Types Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
<b>Revenues:</b>						
Local sources	\$ 1,226,962	160,990	1,387,952	1,651,753	1,651,753	(263,801)
State sources	1,076,069	585	1,076,654	1,269,600	1,269,600	(192,946)
Federal sources	105,830	25,773	131,603	112,000	112,000	19,603
Total revenues	<u>2,408,861</u>	<u>187,348</u>	<u>2,596,209</u>	<u>3,033,353</u>	<u>3,033,353</u>	<u>(437,144)</u>
<b>Expenditures/Expenses:</b>						
Instruction	1,472,780	-	1,472,780	2,083,254	2,083,254	610,474
Support services	514,998	-	514,998	1,904,140	1,904,140	1,389,142
Non-instructional programs	10,000	183,579	193,579	373,194	373,194	179,615
Other expenditures	255,470	-	255,470	647,430	647,430	391,960
Total expenditures/expenses	<u>2,253,248</u>	<u>183,579</u>	<u>2,436,827</u>	<u>5,008,018</u>	<u>5,008,018</u>	<u>2,571,191</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	155,613	3,769	159,382	(1,974,665)	(1,974,665)	2,134,047
Other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	155,613	3,769	159,382	(1,974,665)	(1,974,665)	2,134,047
Balance beginning of year	<u>1,218,170</u>	<u>133,355</u>	<u>1,351,525</u>	<u>1,264,697</u>	<u>1,264,697</u>	<u>86,828</u>
Balance end of year	<u>\$ 1,373,783</u>	<u>137,124</u>	<u>1,510,907</u>	<u>(709,968)</u>	<u>(709,968)</u>	<u>2,220,875</u>

See accompanying independent auditor's report.

## STRATFORD COMMUNITY SCHOOL DISTRICT

### Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2009, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

## Other Supplementary Information

## STRATFORD COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2009

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Book Club	\$ 312	840	611	541
Annuals	2,138	-	-	2,138
Miscellaneous	134	4,604	4,836	(98)
Music	7	296	608	(305)
PO	97	13	-	110
Library	716	-	-	716
Extra activities	1,650	287	-	1,937
Totals	<u>\$ 5,054</u>	<u>6,040</u>	<u>6,055</u>	<u>5,039</u>

See accompanying independent auditor's report.

## STRATFORD COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Six Years

	Modified Accrual Basis				
	2009	2008	2007	2006	2005
<b>Revenues:</b>					
Local sources:					
Local tax					
Tuition	\$ 1,081,485	980,073	937,818	936,353	843,902
Other	94,377	106,675	122,493	90,181	45,413
State sources	51,100	61,390	58,544	244,763	66,143
Federal sources	1,076,069	1,202,815	1,074,155	1,071,636	964,485
	105,830	69,361	59,728	70,315	49,073
Total	<u>\$ 2,408,861</u>	<u>2,420,314</u>	<u>2,252,738</u>	<u>2,413,248</u>	<u>1,969,016</u>
					<u>1,770,429</u>
<b>Expenditures:</b>					
Instruction	\$ 1,472,780	1,416,576	1,387,086	1,291,538	1,204,437
Support services:					
Student					
Instructional staff	1,805	2,085	1,542	7,739	7,239
Administration	36,914	20,126	11,363	9,074	13,239
Operation and maintenance of plant	181,804	179,298	172,388	160,063	147,002
Transportation	163,288	159,097	150,189	160,882	146,667
Non-instructional programs	131,187	120,060	253,574	123,764	107,691
Other expenditures:	10,000	20,000	20,000	10,000	20,875
Facilities acquisition					
Debt service:					
Principal	55,515	63,542	98,578	252,857	174,086
Interest and services	90,000	95,000	75,000	70,000	65,000
AEA flowthrough	28,940	45,985	49,630	53,980	57,580
	81,015	80,743	75,959	73,288	65,464
Total	<u>\$ 2,253,248</u>	<u>2,202,512</u>	<u>2,295,309</u>	<u>2,213,185</u>	<u>2,009,280</u>
					<u>1,633,570</u>

See accompanying independent auditor's report.

# BRUCE D. FRINK

## Certified Public Accountant

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

**Member:**

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

**Services:**

- Individual & Corporate Tax Preparation, Partnerships, Estate & Trust
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Business/Personal Financial Planning
- Bank Loan Assistance
- Section 105 Medical Plan Administration

**Plus:**

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of the  
Stratford Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Stratford Community School District as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 12, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Stratford Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Stratford Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Stratford Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies including deficiencies we consider to material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Stratford Community School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Stratford Community School District's financial statements that is more than inconsequential will not be prevented or detected by Stratford Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.



A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Stratford Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items I-A-09 and I-B-09, are material weaknesses.

#### Compliance and Other Matters

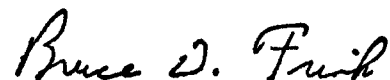
As part of obtaining reasonable assurance about whether Stratford Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Stratford Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Stratford Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Stratford Community School District and other parties to whom Stratford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Stratford Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

March 12, 2010

STRATFORD COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2009

**Part I: Findings Related to the Basic Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**SIGNIFICANT DEFICIENCY**

I-A-09      SEGREGATION OF DUTIES

Comment - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the District should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances.

Response - We will review procedures and investigate available alternatives.

Conclusion - Response accepted.

I-B-09      Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 112, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

# STRATFORD COMMUNITY SCHOOL DISTRICT

## Schedule of Findings

Year ended June 30, 2009

### Part II: Other Findings Related to Required Statutory Reporting:

- II-A-09      Certified Budget - Expenditures for the year ended June 30, 2009, did not exceed the certified budget amounts in any of the four functions.
- II-B-09      Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-09      Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-09      Business Transactions - No business transactions between the District and District officials or were noted.
- II-E-09      Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-09      Board Minutes - No items requiring Board approval which had not been approved by the Board were noted.
- II-G-09      Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- II-H-09      Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-I-09      Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-J-09      Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- II-K-09      Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance		\$	-
Statewide sales and services tax revenue			145,297
Expenditures/transfers out:			
School infrastructure:			
Equipment	\$11,856		
Building improvements	<u>16,602</u>		<u>28,458</u>
Ending balance			<u>\$116,839</u>